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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001232

SIPDIS

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TAGS: [PGOV](#) [TW](#)

SUBJECT: FORMER PRESIDENT CHEN SHUI-BIAN QUILTS DPP IN WAKE  
OF MONEY LAUNDERING INVESTIGATION

Classified By: AIT Acting Director Robert S. Wang,  
Reasons: 1.4 (b/d)

¶1. (C) Summary: A new scandal involving Chen Shui-bian and his family has rocked the DPP and led the former president to apologize to his supporters and withdraw from the party. The scandal involves transfers, orchestrated by Chen's wife Wu Shu-chen, of at least USD 21 million to Swiss bank accounts. The scandal came to light after the Swiss authorities froze the funds and launched a money laundering investigation. The Supreme Prosecutor's Office has banned Chen from traveling overseas. DPP supporters feel betrayed by Chen, who advertised during the 2000 presidential campaign that the members of his family were the type of people who did not have foreign passports or foreign bank accounts. DPP Chairperson Tsai Ing-wen has announced the end of the Chen Shui-bian era and is working to restore party morale. End Summary.

¶2. (SBU) Former President Chen Shui-bian and his wife Wu Shu-chen quit the DPP on August 15 in response to public furor over reports that his family had transferred large sums of money (USD 21 million according to Chen) to Swiss bank accounts. Claiming that the funds in question did not come from illegal sources, Chen apologized for making a "serious mistake" and announced he was withdrawing immediately from the DPP to express his deepest regrets to all party members and supporters. Later the same day, the DPP accepted Chen's decisions to quit the party and undergo an investigation by the party's anti-corruption committee. On Saturday night, August 16, the Supreme Prosecutor's Office issued an order prohibiting Chen from traveling overseas.

¶3. (SBU) According to a "leaked" legal assistance request, the Swiss authorities had frozen the funds in question and launched a money laundering investigation after Huang Jui-ching, Chen's daughter-in-law, failed to provide a credible explanation for repeated transfers of the same money. Reportedly, the funds in Switzerland had been transferred from accounts in Singapore controlled by Huang Jui-ching and Wu Shu-chen's brother, Wu Ching-mao. Chen's son Chen Chih-chung is also linked to the Swiss bank accounts. Chen Chih-chung and Huang Jui-ching are currently in the U.S. where he has recently traveled to study law. The prosecutors have asked them to return to Taiwan for questioning, and some reports suggest they may do so soon.

¶4. (SBU) On Saturday, August 16, the day after Chen's withdrawal from the DPP, the Special Investigation Task Force of the Supreme Prosecutor's Office questioned Chen and Wu, collected potential evidence at Chen's home and residence, and had the Tainan District prosecutor raid the home of Wu's brother, Wu Ching-mao. Reportedly, the prosecutors discovered records of four previously undisclosed accounts into which large cash political donations had been deposited prior to the 2000 and 2004 presidential elections. Under questioning, Wu Shu-chen told the prosecutors that the funds now in Switzerland came from surplus campaign funds, her private dowry, Chen's earnings as a lawyer, and investment earnings. Wu, who managed the Chen family finances, said she had used Wu Ching-mao and Huang Jui-ching to make the transfers because of the sensitivity of Chen Shui-bian's position. According to Wu, the money was intended for immediate members of the Chen family.

¶5. (SBU) On Monday, August 18, the Prosecutor's Office issued an order prohibiting Yeh Sheng-mao, former head of the Ministry of Justice Investigation Bureau (MJIB) from leaving Taiwan. Yeh is under investigation for concealing information about the Swiss case that he had received early this year.

¶6. (C) Public reaction to this new scandal involving Chen, which just emerged here last week, has been strong. The most emotional reactions have come from politicians in the Green camp, who clearly feel Chen betrayed them. DPP Chairperson Tsai Ing-wen announced the end of the Chen Shui-bian era, and

TAIPEI 00001232 002 OF 002

promised to do her best to lead the party in standing up from the "collapsed ruins." A leading pro-independence activist, formerly a strong supporter of Chen, suggested bluntly that Chen and Wu "should jump into the sea." An outspoken former legislator and others stressed how humiliating it was for the DPP and Chen's supporters to learn that the former president who claimed to love Taiwan had wired their donations and other money overseas. Others are questioning how the president's family could be so greedy. Despite or perhaps because of low DPP morale, Tsai Ing-wen plans to go ahead with a scheduled demonstration against the Ma administration in the boulevard leading to the Presidential Office on August

¶30.

Comment

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¶7. (C) Chen and Wu are already mired in a case involving the alleged misuse of special State Affairs Funds while Chen was president. That and several other high-level scandals were major factors in disastrous defeats suffered by the DPP in recent elections. The DPP has just begun a mini-comeback under new Chairperson Tsai Ing-wen, capitalizing on missteps by the KMT administration, but can now only hope that jettisoning Chen quickly will reduce the inevitable damage to the morale of party members and supporters caused by this new scandal.

WANG